

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name VILLAGE OF SUNFIELD	County EATON
Fiscal Year End MARCH 31, 2008	Opinion Date MAY 8, 2008	Date Audit Report Submitted to State JUNE 5, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures..
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Karl L. Drake, CPA		Telephone Number 517-937-9333		
Street Address 3775 Kimmel Road		City Horton	State MI	Zip 49246
Authorizing CPA Signature 		Printed Name Karl L. Drake		License Number 1101016526

**VILLAGE
OF
SUNFIELD**

FINANCIAL STATEMENTS

MARCH 31, 2008

**KARL L. DRAKE P.C.
CERTIFIED PUBLIC ACCOUNTANT**

**VILLAGE
OF
SUNFIELD**

VILLAGE OF SUNFIELD

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INDEPENDENT AUDITOR'S REPORT

Village Council
Village of Sunfield
Sunfield, Michigan 48890

We have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of the Village of Sunfield, as of and for the year ended March 31, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Sunfield's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with United States generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities and each major fund of the Village of Sunfield as of March 31, 2008, and the respective changes in financial position, thereof for the year then ended in conformity with United States generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2008, on our consideration of the Village of Sunfield's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grants.

Village Council
Village of Sunfield

The management's discussion and analysis and budgetary comparison information on pages 3 through 7 and pages 28 through 30 are not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Sunfield's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

A handwritten signature in cursive script that reads "Karl L. Drake".

Karl L. Drake, P.C.
Certified Public Accountant

May 8, 2008

This section of the Village of Sunfield's annual financial report presents our discussion and analysis of the Village's financial performance during the fiscal year ended March 31, 2008. It is best read in conjunction with the Village's financial statements that follow this section.

Overview

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Village of Sunfield financially and the two types of statements present different views of the Village. The government-wide statements reflect information about the activities of the entire Village, presenting an aggregate view and a longer-term view of the Village's overall financial status. The fund financial statements focus on individual components of Village government, reporting the Village's operations in more detail and demonstrating how services were financed in the short term.

Government-Wide Statements

The Statement of Net Assets and the Statement of Activities report information about the Village as a whole using accounting methods similar to those used by private-sector companies. These statements are prepared to include all assets and liabilities, using the accrual basis of accounting. All of the year's revenues and expenses are taken into account regardless of when cash is received or paid. The two government-wide statements report the Village's net assets – the difference between assets and liabilities- as one way to measure the Village's financial health or position. Over time, increases or decreases in the Village's net assets are an indicator of whether its financial health is improving or deteriorating. To assess the overall health of the Village you need to consider additional non-financial factors such as changes in the Village's property tax base and the condition of the Village's streets.

The government-wide financial statements of the Village are divided into two categories:

- *Governmental activities* - Most of the Village's basic services are included here, such as public works, parks and general administration. Property taxes and state grants finance most of these activities.
- *Business-type activities* - Operation and maintenance of the water system and sanitary sewer system is included here. The Village charges fees to customers to cover the costs of providing these services.

Fund Financial Statements

The fund financial statements provide more detailed information about the Village's most significant funds, not the Village as a whole. The Village Council establishes funds as needed to help it control and manage money for particular purposes or to demonstrate that it is meeting legal responsibilities.

The Village currently has two types of funds:

Governmental funds - Most of the Village's basic services are included in governmental funds that focus on how money flows in and out and the balances remaining at year-end that are available for spending. Activity is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the Village that helps you determine whether there are more or fewer resources that can be spent in the near future to finance the Village's programs. The relationship between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is described in a reconciliation.

Proprietary funds - Services for which the Village charges customers a fee are reported in proprietary funds. Proprietary fund statements provide both long and short-term financial information. The Village's enterprise funds, the Water Fund and Sewer Fund, are types of proprietary funds.

The Village as a Whole

The statement of net assets presents the perspective of the Village as a whole. Table 1 provides a summary of the Village's net assets as of March 31, 2008 and 2007, in thousands of dollars.

TABLE 1	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
ASSETS						
Current and Other Assets	\$ 351.9	\$ 386.3	\$ 267.3	\$ 281.7	\$ 619.2	\$ 668.0
Capital Assets	123.2	109.3	1,185.3	1,225.2	1,308.5	1,334.5
TOTAL ASSETS	475.1	495.6	1,452.6	1,506.9	1,927.7	2,002.5
LIABILITIES						
Current Liabilities	5.4	5.3	56.6	56.6	62.0	61.9
Long-Term Liabilities	5.5	10.7	753.0	809.6	758.5	820.3
TOTAL LIABILITIES	10.9	16.0	809.6	866.2	820.5	882.2
NET ASSETS						
Invested in Capital Assets, Net of Related Debt	112.3	93.3	375.7	359.0	488.0	452.3
Restricted	---	---	---	---	---	---
Unrestricted	351.9	386.3	267.3	281.7	619.2	668.0
TOTAL NET ASSETS	\$ 464.2	\$ 479.6	\$ 643.0	\$ 640.7	\$ 1,107.2	\$ 1,120.3

VILLAGE OF SUNFIELD

Management's Discussion and Analysis

The Village as a Whole (Continued)

In both the governmental and business-type activities, capital assets are depreciated on a straight-line basis.

The Village's combined net assets were \$1.1 million at March 31, 2008. Capital assets (net of related debt) totaling \$0.5 million compares the historical cost, less depreciation, to the long-term debt used to finance the acquisition of those assets. The \$619,261 in combined unrestricted net assets reflects the accumulated results of all past years' operations.

The following table shows the revenue and expense activity during the current fiscal year and past fiscal year, and the change in net assets (in thousands of dollars), as reported in the statement of activities.

TABLE 2	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
REVENUE						
Program Revenue						
Charges for services	\$ 5.0	\$ 1.9	\$ 137.4	\$ 153.4	\$ 142.4	\$ 155.3
General Revenue						
Property taxes	130.5	120.4	---	---	130.5	120.4
Federal Grants	---	---	---	---	---	---
State entitlements	101.8	102.8	---	---	101.8	102.8
Interest earnings	16.9	11.8	15.5	7.9	32.4	19.7
Other	44.6	102.6	24.6	---	69.2	102.6
TOTAL REVENUE	298.8	339.5	177.5	161.3	476.3	500.8
EXPENSES						
General Government	94.5	143.5	---	---	94.5	143.5
Public Safety	22.2	20.6	---	---	22.2	20.6
Public Works	146.7	87.2	---	---	146.7	87.2
Recreation	40.0	49.8	---	---	40.0	49.8
Interest On Long Term Debt	0.7	0.9	---	---	0.7	0.9
Depreciation (Unallocated)	10.1	5.4	---	---	10.1	5.4
Proprietary Fund Expenses	---	---	175.2	172.7	175.2	172.7
TOTAL EXPENSES	314.2	307.4	175.2	172.7	489.4	480.1
CHANGE IN NET ASSETS	\$ -15.4	\$ 32.1	\$ 2.3	\$ -11.4	\$ -13.1	\$ 20.7

Governmental Activities

The governmental activities experienced a decrease in net assets of \$15,000. The primary reason was street improvement projects.

Business-Type Activities

The Village's business-type activity consists of the Water Fund and the Sewer Fund. These funds experienced an increase in net assets of \$2,000. The primary reasons were controlling expenses and insurance proceeds received.

The Village's Funds

Analysis of the Village's major funds follows the government-wide financial statements. As noted earlier, the Village creates funds to help manage money for specific purposes and to demonstrate accountability for certain activities. The Village's major governmental funds are the General Fund, the Major Streets Fund, and the Local Streets Fund.

The General Fund pays for most of the Village's governmental services and supports capital improvements in the street funds. The General Fund is supported mainly by property taxes and state shared revenue, while the street funds are financed by the state gas and weight tax. As we completed the year, the governmental funds reported a combined fund balance of \$351,923, which is a decrease of \$34,340 from the previous year.

General Fund Budgetary Highlights

Over the course of the year, the Village generally amends the budget in response to changing events. In the year ended March 31, 2008, no budget amendments were made.

Economic Factors and Next Year's Budgets and Rates

In preparing the 2008-09 budget, the Village expects similar activity levels to 2007-08. State shared revenue has been consistently declining in recent years, and this trend is expected to continue. Other revenue is expected to be consistent to 2007-08 totals.

VILLAGE OF SUNFIELD

Management's Discussion and Analysis

Capital Asset and Debt Administration

At the end of this fiscal year, the Village managed capital assets valued at over \$1.3 million including property, buildings, streets, drains, equipment, and water and sewer lines.

	Capital Assets Net of Accumulated Depreciation (dollars are in thousands)					
	Governmental Activities		Business-Type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Non-Depreciable Assets						
Land	\$ ---	\$ ---	\$ 47	\$ 47	\$ 47	\$ 47
Depreciable Assets						
Vehicles	3	3	---	---	3	3
Equipment	43	48	---	---	43	48
Infrastructure	77	58	1,138	1,021	1,215	1,079
Total	\$ 123	\$ 109	\$ 1,185	\$ 1,068	\$ 1,308	\$ 1,177

At year-end, the Village had \$820,309 in outstanding long-term debt.

Contacting the Village's Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Village's finances and to demonstrate the Village's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Village Treasurer, P.O. Box 66, Sunfield, MI 48890.

BASIC FINANCIAL STATEMENTS

VILLAGE OF SUNFIELD

Government-Wide Financial Statements

STATEMENT OF NET ASSETS

March 31, 2008

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and Investments	\$ 335,441	\$ 267,338	\$ 602,779
Due From Other Governmental Units	---	---	---
Accounts Receivable	16,482	---	16,482
Prepaid Expenditures	---	---	---
Inventory	---	---	---
Total Current Assets	351,923	267,338	619,261
Non-Current Assets			
Capital Assets	213,960	2,287,833	2,501,793
Less: Accumulated Depreciation	-90,779	-1,102,558	-1,193,337
Total Non-Current Assets	123,181	1,185,275	1,308,456
TOTAL ASSETS	\$ 475,104	\$ 1,452,613	\$ 1,927,717
LIABILITIES AND NET ASSETS			
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ ---	\$ ---	\$ ---
Accrued Interest	171	---	171
Notes and Bonds Payable, Due within One Year	5,238	56,625	61,863
Total Current Liabilities	5,409	56,625	62,034
Non-Current Liabilities			
Deferred Revenue	---	---	---
Notes and Bonds Payable	5,489	752,957	758,446
Compensated Absences	---	---	---
Total Non-Current Liabilities	5,489	752,957	758,446
TOTAL LIABILITIES	10,898	809,582	820,480
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	112,283	375,693	487,976
Restricted for Debt Service	---	---	---
Unrestricted	351,923	267,338	619,261
TOTAL NET ASSETS	464,206	643,031	1,107,237
TOTAL LIABILITIES AND NET ASSETS	\$ 475,104	\$ 1,452,613	\$ 1,927,717

See Accompanying Notes to Financial Statements

STATEMENT OF ACTIVITIES

YEAR ENDED MARCH 31, 2008

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges For Services	Operating Grants	Governmental Activities	Business- Type Activities	Total
FUNCTIONS/PROGRAMS						
Governmental Activities						
General Government	\$ 94,444	\$ ---	\$ ---	\$ -94,444	\$ ---	\$ -94,444
Public Safety	22,220	---	---	-22,220	---	-22,220
Public Works	146,717	941	---	-145,776	---	-145,776
Recreational and Cultural	40,023	4,037	---	-35,986	---	-35,986
Interest on Long-Term Debt	673	---	---	-673	---	-673
Depreciation (Unallocated)	10,129	---	---	-10,129	---	-10,129
Total Governmental Activities	314,206	4,978	---	-309,228	---	-309,228
Business-Type Activities	175,207	137,397	---	---	-37,810	-37,810
Total Activities	\$ 489,413	\$ 142,375	\$ ---	\$ -309,228	\$ -37,810	\$ -347,038
General Revenue						
Taxes						
Property Taxes, Levied for General Operations				\$ 130,512	\$ ---	\$ 130,512
Property Taxes, Levied for Debt Service				---	---	---
Federal Grants				---		---
State of Michigan Aid, Unrestricted				101,841	---	101,841
Interest Earnings				16,926	15,528	32,454
Transfer In <Out>				---	---	---
Other				44,583	24,571	69,154
Total General Revenue				293,862	40,099	333,961
CHANGE IN NET ASSETS				-15,366	2,289	-13,077
NET ASSETS - BEGINNING OF YEAR				479,572	640,742	1,120,314
NET ASSETS - END OF YEAR				\$ 464,206	\$ 643,031	\$ 1,107,237

See Accompanying Notes to Financial Statements.

VILLAGE OF SUNFIELD

Fund Financial Statements

BALANCE SHEET - GOVERNMENTAL FUNDS

MARCH 31, 2008

	General	Major Streets	Local Streets	Other Non-Major	Total Governmental Funds
ASSETS					
Cash and Investments	\$ 131,815	\$ 132,508	\$ 4,684	\$ 66,434	\$ 335,441
Accounts Receivable	16,482	---	---	---	16,482
Due from Other Governmental Units	---	---	---	---	---
Due from Other Funds	---	---	---	---	---
Prepaid Expenditures	---	---	---	---	---
Inventory	---	---	---	---	---
TOTAL ASSETS	\$ 148,297	\$ 132,508	\$ 4,684	\$ 66,434	\$ 351,923
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---
Due to Other Funds	---	---	---	---	---
Deferred Revenue	---	---	---	---	---
TOTAL LIABILITIES	---	---	---	---	---
FUND BALANCES					
Reserved for Capital Projects	---	---	---	---	---
Reserved for Debt Service	---	---	---	---	---
Unreserved, Designated	---	---	---	---	---
Unreserved and Undesignated	148,297	132,508	4,684	66,434	351,923
TOTAL FUND BALANCES	148,297	132,508	4,684	66,434	351,923
TOTAL LIABILITIES AND FUND BALANCES	\$ 148,297	\$ 132,508	\$ 4,684	\$ 66,434	\$ 351,923
TOTAL GOVERNMENTAL FUND BALANCES					\$ 351,923
Amounts reported for governmental activities in the statement of net assets are different because:					
Capital assets used in governmental activities are not financial resources, and are not reported in the funds:					
Cost of the Capital Assets					213,960
Accumulated Depreciation					<u>-90,779</u>
					123,181
Long-term Liabilities are not due and payable in the current period and are not reported in the fund:					
Bonds and Loans Payable					-10,727
Compensated Absences					---
Accrued interest is not included as a liability in governmental funds					<u>-171</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES					\$ 464,206

See Accompanying Notes to Financial Statements.

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES -GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2008

	General	Major Streets	Local Streets	Other Non-Major	Totals
REVENUE					
Property Taxes	\$ 130,512	\$ ---	\$ ---	\$ ---	\$ 130,512
Federal Grants	---	---	---	---	---
State Grants	57,174	32,946	11,721	---	101,841
Charges for Services	4,978	---	---	---	4,978
Interest	6,712	8,253	275	1,686	16,926
Other	3,226	---	---	41,357	44,583
TOTAL REVENUE	202,602	41,199	11,996	43,043	298,840
EXPENDITURES					
General Government	94,444	---	---	---	94,444
Public Safety	22,220	---	---	---	22,220
Public Works	26,829	74,378	29,169	16,341	146,717
Recreational and Cultural	40,023	---	---	---	40,023
Debt Service	---	---	---	5,752	5,752
Capital Outlay	---	---	---	24,024	24,024
TOTAL EXPENDITURES	183,516	74,378	29,169	46,117	333,180
EXCESS OF REVENUE OVER <UNDER> EXPENDITURES	19,086	-33,179	-17,173	-3,074	-34,340
OTHER FINANCING SOURCES <USES>					
Bond Proceeds	---	---	---	---	---
Operating Transfers In	---	---	16,000	---	16,000
Operating Transfers Out	---	-16,000	---	---	-16,000
TOTAL OTHER FINANCING SOURCES <USES>	---	-16,000	16,000	---	---
NET CHANGE IN FUND BALANCES	19,086	-49,179	-1,173	-3,074	-34,340
FUND BALANCES - BEGINNING OF YEAR	129,211	181,687	5,857	69,508	386,263
FUND BALANCES - END OF YEAR	\$ 148,297	\$ 132,508	\$ 4,684	\$ 66,434	\$ 351,923

See Accompanying Notes to Financial Statements.

VILLAGE OF SUNFIELD

Fund Financial Statements

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED MARCH 31, 2008

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ -34,340

Amounts reported for governmental activities in the statement of activities are different because:

- Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	-10,129	
Capital Outlay	<u>24,024</u>	13,895

- Governmental funds report bond proceeds as revenue. In the statement of activities these costs are not reported. They are included as liabilities in the statement of net assets.

- Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid.

80

- Repayments of note and bond principal are an expenditure in the governmental fund, but not in the statement of activities (where it reduces long-term debt).

4,999

- Compensated absences are included in expenditures in the statement of activities but not in the governmental funds.

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ -15,366

STATEMENT OF NET ASSETS**MARCH 31, 2008****ASSETS**

Current Assets

Cash and Cash Equivalents	\$ 267,338
Accounts Receivable	---
Prepaid Expenses	---

Total Current Assets	<u>267,338</u>
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Non-Current Assets

Capital Assets	<u>1,185,275</u>
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TOTAL ASSETS	<u>\$ 1,452,613</u>
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LIABILITIES

Current Liabilities

Accounts Payable	\$ ---
Due to Other Funds	---
Current Portion of Bonds Payable	<u>56,625</u>

Total Current Liabilities	<u>56,625</u>
---------------------------	---------------

Long-Term Liabilities

Deferred Revenue	---
Bonds Payable - Net of Current Portion	<u>752,957</u>

Total Long-Term Liabilities	<u>752,957</u>
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TOTAL LIABILITIES	<u>809,582</u>
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NET ASSETS

Invested in Capital Assets, Net of Related Debt	375,693
Restricted for Debt Service	---
Unrestricted	<u>267,338</u>

TOTAL NET ASSETS	<u>\$ 643,031</u>
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See Accompanying Notes to Financial Statements.

VILLAGE OF SUNFIELD

Proprietary Funds

STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS PROPRIETARY FUNDS

FOR THE YEAR ENDED MARCH 31, 2008

OPERATING REVENUE

Charges for Services	<u>\$ 137,397</u>
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OPERATING EXPENSES

Wages and Benefits	19,509
Office and Postage	366
Operating Supplies	5,601
Property Tax	1,803
Equipment Usage	13,495
Repairs and Maintenance	19,135
Utilities	4,819
Other	778
Depreciation	81,374
Testing	<u>1,394</u>

TOTAL OPERATING EXPENSES	<u>148,274</u>
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OPERATING INCOME <LOSS>	-10,877
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NON-OPERATING REVENUE <EXPENSES>

Transfer In <Out>	---
Miscellaneous Revenue	24,571
Interest Revenue	15,528
Interest and Fees Expense	<u>-26,933</u>

TOTAL NON-OPERATING REVENUE <EXPENSES>	<u>13,166</u>
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CHANGE IN NET ASSETS	2,289
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NET ASSETS - BEGINNING	<u>640,742</u>
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NET ASSETS - ENDING	<u><u>\$ 643,031</u></u>
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See Accompanying Notes to Financial Statements.

STATEMENT OF CASH FLOW

FOR THE YEAR ENDED MARCH 31, 2008

CASH FLOW FROM OPERATING ACTIVITIES

Cash Received from Customers	\$ 137,397
Cash Payments for Goods and Services	-47,391
Cash Payments to Employees	<u>-19,509</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>70,497</u>
--	----------------------

CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES

Miscellaneous Income	24,571
Transfer In <Out>	---
Increase <Decrease> in Due to Other Funds	<u>---</u>

NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>24,571</u>
---	----------------------

CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Principal Payments	-56,625
Interest Paid	<u>-26,933</u>

NET CASH PROVIDED <USED> BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>-83,558</u>
---	-----------------------

CASH FLOW FROM INVESTING ACTIVITIES

Receipts of Interest and Dividends	15,528
Sale of Assets	---
Purchase of Assets	<u>-41,441</u>

NET CASH PROVIDED <USED> BY INVESTING ACTIVITIES	<u>-25,913</u>
---	-----------------------

NET INCREASE <DECREASE> IN CASH	-14,403
--	----------------

CASH - BEGINNING OF YEAR	<u>281,741</u>
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CASH - END OF YEAR	<u><u>\$ 267,338</u></u>
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RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating Income <Loss>	\$ -10,877
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation Expense	81,374
Decrease <Increase> in Accounts Receivable	---
Decrease <Increase> in Prepaid Expenses	---
Increase <Decrease> in Accounts Payable	<u>---</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 70,497</u></u>
--	--------------------------------

See Accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village conform to United States generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies.

A. REPORTING ENTITY

The Village of Sunfield is a general law village located in Eaton County, Michigan. The Village operates under an elected council consisting of nine members and provides various services to its 591 residents.

As defined by Governmental Accounting Standards Board (GASB) No. 14, the financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government has financial accountability if it:

1. appoints a voting majority of the organization's board, and has the ability to impose its will on the organization; or
2. there is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

Based on the above criteria, no additional organizations or entities are included in these financial statements.

B. BASIS OF PRESENTATION

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Government-Wide Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Fund Based Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than Building and Site Funds) that are legally restricted to expenditures for specified purposes. The Special Revenue Funds maintained by the Village are the Major Streets Fund, Local Streets Fund, and Equipment Fund.

PROPRIETARY FUNDS

Enterprise Funds - Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through use charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

NOTES TO FINANCIAL STATEMENTS

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

C. BUDGETS AND BUDGETARY ACCOUNTING

The General Fund and Special Revenue Funds are under formal budgetary control. Budgets are adopted on the modified accrual basis of accounting. Amendments are by action of the Board.

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Village for these budgetary funds were adopted at the functional level.

D. PROPERTY TAXES

Real and personal property taxes are assessed as of December 31, and attach as an enforceable lien on property as of July 1, of the subsequent year. Taxes are due and payable as of September 15. The property tax revenue in the accompanying financial statements was recognized as that levied during the year.

All unpaid taxes become delinquent after September 15, at which time the uncollected real taxes are returned to Eaton County for collection and to be added to the delinquent tax rolls. The County of Eaton purchases delinquent real property taxes of the Village of Sunfield. The County sells tax notes, the proceeds of which are used to pay the Village for the taxes.

The Village is authorized to assess 15 mills for general operations. The millage rate levied for 2007 was 10.5 mills for operations. Total taxable value of real and personal property in the Village was \$12,965,000.

The Village is responsible for the collection of delinquent personal property taxes.

E. CASH EQUIVALENTS

The Village considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

F. FINANCIAL INSTRUMENTS

The Village does not require collateral to support financial instruments subject to credit risk.

G. SHORT-TERM INTERFUND RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the balance sheet.

H. FUND EQUITY

Reservations of fund balance represent these portions of fund equity not appropriable for expenditure or legally segregated for a specific future use.

I. CAPITAL ASSETS

Capital assets, which include land, buildings, equipment, vehicles, and infrastructure assets (e.g. streets, bridges, drains) are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value materially extended asset life are not capitalized.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	15-50 years
Vehicles	5-10 years
Other equipment	5-20 years

J. RISK MANAGEMENT

The Village is exposed to various risks of loss to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Village carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

NOTES TO FINANCIAL STATEMENTS

K. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

L. TOTAL COLUMNS ON COMBINED STATEMENTS

Total columns on the Combined Statements are captioned (Memo Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with United States generally accepted accounting principles. Neither is such data comparable to a consolidation. Inter-fund eliminations have not been made in the aggregation of this data.

M. ESTIMATES

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2 - DEPOSITS WITH FINANCIAL INSTITUTIONS

LEGAL OR CONTRACTUAL PROVISIONS FOR DEPOSITS AND INVESTMENTS

The Michigan Political Subdivisions Act No. 20, Public Acts of 1943, as amended by Act No. 217, Public Acts of 1982, states the Village, by resolution, may authorize investment of surplus funds as follows:

1. In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.

-
2. In certificates of deposit, savings accounts, or depository receipts of a bank, which is a member of the Federal Deposit Insurance Corporation; or a savings and loan association, which a member of the Federal Savings and Loan Insurance Corporation; or a credit union, which is insured by the National Credit Union Association; but only if the bank, savings and loan association, or credit union complies with Subsection (2).
 3. In commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and which matures not more than 270 days after the date of purchase. Not more than 50% of any fund may be invested in commercial paper at any time.
 4. In United States government or Federal agency obligation repurchase agreements.
 5. In bankers' acceptances of United States banks.
 6. In mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Village is in compliance with State law regarding their cash deposits.

The Village maintains all of its cash deposits at four banks.

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Village's cash deposits are as follows:

<u>Deposits</u>	<u>Book Value</u>	<u>Carrying Amounts</u>
Insured (FDIC)	\$ 351,929	\$ 351,929
Uninsured & Uncollateralized	250,850	259,376
Total Deposits	<u>\$ 602,779</u>	<u>\$ 611,305</u>

The differences between the book value and the bank carrying amounts are caused by deposits in transit and outstanding checks.

NOTE 3 - ACCUMULATED FUND DEFICITS

There were no accumulated fund deficits at March 31, 2008.

VILLAGE OF SUNFIELD

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - CAPITAL ASSETS

Capital asset activity of the Village's Governmental activities was as follows:

	Balance April 1, 2007	Additions	Disposals and Adjustments	Balance March 31, 2008
Assets not being depreciated:				
Land	\$ ---	\$ ---	\$ ---	\$ ---
Capital assets being depreciated:				
Vehicles	6,500	---	---	6,500
Equipment	79,399	---	---	79,399
Infrastructure	104,037	24,024	---	128,061
Subtotal	189,936	24,024	---	213,960
Accumulated depreciation:				
Vehicles	3,047	812	---	3,859
Equipment	31,743	4,598	---	36,341
Infrastructure	45,860	4,719	---	50,579
Subtotal	80,650	10,129	---	90,779
Net capital assets being depreciated	109,286	13,895	---	123,181
Net capital assets	\$ 109,286	\$ 13,895	\$ ---	\$ 123,181

Depreciation expense was not charged to activities as the Village considers its assets to impact multiple activities and allocation is not practical.

Capital asset activity of the Village's business-type activities was as follows:

	Balance April 1, 2007	Additions	Disposals and Adjustments	Balance March 31, 2008
Assets not being depreciated:				
Land	\$ 47,000	\$ ---	\$ ---	\$ 47,000
Capital assets being depreciated:				
System	2,199,392	41,441	---	2,240,833
Equipment	---	---	---	---
Subtotal	2,199,392	41,441	---	2,240,833
Accumulated depreciation:				
System	1,021,184	81,374	---	1,102,558
Equipment	---	---	---	---
Subtotal	1,021,184	81,374	---	1,102,558
Net capital assets being depreciated	1,178,208	-39,933	---	1,138,275
Net capital assets	\$ 1,225,208	\$ -39,933	\$ ---	\$ 1,185,275

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES

At March 31, 2008, there were no interfund payables or receivables.

NOTE 6 - LONG-TERM DEBT

WATERFUND

On June 28, 2001, the Village sold \$846,707 of bonds for construction of a water tower, and to upgrade its existing water distribution system. This was done through the Michigan Municipal Bond Authority. Interest accrues at 2.5%, and interest payments are due twice each year, on April 1 and October 1, until the bonds are fully repaid. Bond principal payments are due annually on April 1. Total amounts due are as follows:

Year Ended March 31	April 1 Principal	April 1 Interest	October 1 Interest	Total Due
2009	\$ 40,000	\$ 7,834	\$ 7,834	\$ 55,668
2010	40,000	7,334	7,334	54,668
2011	40,000	6,834	6,834	53,668
2012	45,000	6,334	6,334	57,668
2013	45,000	5,771	5,771	56,542
2014	45,000	5,209	5,209	55,418
2015	45,000	4,646	4,646	54,292
2016	45,000	4,084	4,084	53,168
2017	50,000	3,521	3,521	57,042
2018	50,000	2,896	2,896	55,792
2019	50,000	2,271	2,271	54,542
2020	55,000	1,646	1,646	58,292
2021	55,000	959	959	56,918
2022	21,707	271	271	22,249
	<u>\$ 626,707</u>	<u>\$ 59,610</u>	<u>\$ 59,610</u>	<u>\$ 745,927</u>

SEWER FUND

On November 24, 2004, the Village financed sewer system improvements through the Eaton County Drain Commission. The total financing was \$249,375. The agreement calls for principal payments annually of \$16,625, plus interest at 4.9% for a period of 15 years.

VILLAGE OF SUNFIELD

NOTES TO FINANCIAL STATEMENTS

SEWER FUND (CONTINUED)

Total amounts due are as follows:

<u>Year ended March 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Due</u>
2009	\$ 16,625	\$ 8,961	\$ 25,586
2010	16,625	8,146	24,771
2011	16,625	7,332	23,957
2012	16,625	6,517	23,142
2013	16,625	5,702	22,327
2014	16,625	4,888	21,513
2015	16,625	4,073	20,698
2016	16,625	3,259	19,884
2017	16,625	2,444	19,069
2018	16,625	1,629	18,254
2019	16,625	815	17,440
	<u>\$ 182,875</u>	<u>\$ 53,766</u>	<u>\$ 236,641</u>

GENERAL LONG-TERM DEBT

On December 2, 2004, the Village purchased a John Deere tractor for \$42,241.30. An initial payment of \$17,191.17 was made, and the balance of \$25,050.13 was financed through John Deere Credit. Annual payments of \$5,751.44 are made, which include interest at 4.784%. Total amounts due are as follows:

<u>Year ended March 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Due</u>
2009	\$ 5,238	\$ 513	\$ 5,751
2010	5,489	262	5,751
	<u>\$ 10,727</u>	<u>\$ 775</u>	<u>\$ 11,502</u>

NOTE 7 - ACCUMULATED PERSONAL AND VACATION PAY

Village employees are entitled to certain compensated absences based on their length of employment. With minor exceptions, compensated absences either vest or accumulate and are accrued when they are earned. The amount accrued at the end of the year was immaterial and not recorded.

NOTE 8 - RETIREMENT PLAN

The Village does not participate in any retirement plan.

NOTE 9 - BUDGETARY ACCOUNTING

During the year ended March 31, 2008, the Village incurred expenditures that were in excess of the amounts appropriated in the following:

	Budget	Actual	Excess
GENERAL FUND			
Public Safety	\$ 21,000	\$ 22,220	\$ 1,220
Public Works	21,000	26,829	5,829
Recreation and Cultural	36,500	40,023	3,523
MAJOR STREETS			
Public Works	40,080	90,378	50,298
LOCAL STREETS			
Public Works	12,780	29,169	16,389
EQUIPMENT FUND			
Public Works	12,120	16,341	4,221
Capital Outlay	21,040	24,024	2,624

NOTE 10 - SEGMENT INFORMATION FOR ENTERPRISE FUND

The Village maintains two Enterprise Funds providing water and sewer services. Segment information for the year ended March 31, 2008, is as follows:

	Water	Sewer	Total
Operating Revenues	\$ 83,243	\$ 54,154	\$ 137,397
Operating Expenses Before Depreciation	30,237	36,663	66,900
Depreciation	35,557	45,817	81,374
Operating Income <Loss>	17,449	-28,326	-10,877
Net Earnings <Loss>	27,360	-25,071	2,289
Total Assets	843,133	609,480	1,452,613
Long-Term Debt--Payable From Operating Revenue	626,707	182,875	809,582
Total Net Assets	216,426	426,605	643,031

REQUIRED SUPPLEMENTAL INFORMATION

BUDGETARY COMPARISON SCHEDULE

YEAR ENDED MARCH 31, 2008

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	
REVENUE				
Property Taxes	\$ 130,345	\$ 130,345	\$ 130,512	\$ 167
Federal Grants	---	---	---	---
State Grants	55,000	55,000	57,174	2,174
Charges for Services	3,500	3,500	4,978	1,478
Interest	1,500	1,500	6,712	5,212
Other	3,500	3,500	3,226	-274
Transfers In	---	---	---	---
TOTAL REVENUE	193,845	193,845	202,602	8,757
EXPENDITURES				
General Government	106,120	106,120	94,444	11,676
Public Safety	21,000	21,000	22,220	-1,220
Public Works	21,000	21,000	26,829	-5,829
Recreation and Cultural	36,500	36,500	40,023	-3,523
Debt Service	---	---	---	---
Capital Outlay	---	---	---	---
Other Uses - Operating Transfers Out	---	---	---	---
TOTAL EXPENDITURES	184,620	184,620	183,516	1,104
EXCESS OF REVENUE OVER EXPENDITURES AND OTHER USES	9,225	9,225	19,086	9,861
BUDGETARY FUND BALANCE - April 1, 2007	129,211	129,211	129,211	---
BUDGETARY FUND BALANCE - March 31, 2008	\$ 138,436	\$ 138,436	\$ 148,297	\$ 9,861

BUDGETARY COMPARISON SCHEDULE**YEAR ENDED MARCH 31, 2008**

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	
REVENUE				
Property Taxes	\$ ---	\$ ---	\$ ---	\$ ---
Federal Grants	---	---	---	---
State Grants	32,500	32,500	32,946	446
Charges for Services	---	---	---	---
Interest	4,500	4,500	8,253	3,753
Other	---	---	---	---
Transfers In	---	---	---	---
TOTAL REVENUE	37,000	37,000	41,199	4,199
EXPENDITURES				
General Government	---	---	---	---
Public Safety	---	---	---	---
Public Works	40,080	40,080	74,378	-34,298
Recreation and Culture	---	---	---	---
Debt Service	---	---	---	---
Capital Outlay	---	---	---	---
Other Uses - Operating Transfers Out	---	---	16,000	-16,000
TOTAL EXPENDITURES	40,080	40,080	90,378	-50,298
EXCESS OF REVENUE OVER <UNDER> EXPENDITURES AND OTHER USES	-3,080	-3,080	-49,179	-46,099
BUDGETARY FUND BALANCE - April 1, 2007	181,687	181,687	181,687	---
BUDGETARY FUND BALANCE - March 31, 2008	\$ 178,607	\$ 178,607	\$ 132,508	\$ -46,099

BUDGETARY COMPARISON SCHEDULE

YEAR ENDED MARCH 31, 2008

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	
REVENUE				
Property Taxes	\$ ---	\$ ---	\$ ---	\$ ---
Federal Grants	---	---	---	---
State Grants	12,000	12,000	11,721	-279
Charges for Services	---	---	---	---
Interest	100	100	275	175
Other	---	---	---	---
Transfers In	---	---	16,000	16,000
TOTAL REVENUE	12,100	12,100	27,996	15,896
EXPENDITURES				
General Government	---	---	---	---
Public Safety	---	---	---	---
Public Works	12,780	12,780	29,169	-16,389
Recreation and Culture	---	---	---	---
Debt Service	---	---	---	---
Capital Outlay	---	---	---	---
Other Uses - Operating Transfers Out	---	---	---	---
TOTAL EXPENDITURES	12,780	12,780	29,169	-16,389
EXCESS OF REVENUE OVER <UNDER> EXPENDITURES AND OTHER USES	-680	-680	-1,173	-493
BUDGETARY FUND BALANCE - April 1, 2007	5,857	5,857	5,857	---
BUDGETARY FUND BALANCE - March 31, 2008	\$ 5,177	\$ 5,177	\$ 4,684	\$ -493

OTHER SUPPLEMENTAL INFORMATION

GENERAL FUND

BALANCE SHEET

MARCH 31, 2008

ASSETS

Cash	\$ 131,815
Taxes Receivable	<u>16,482</u>

TOTAL ASSETS	<u>\$ 148,297</u>
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LIABILITIES AND FUND BALANCE

Liabilities	
Accounts Payable	\$ ---
Fund Balance	<u>148,297</u>

TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 148,297</u>
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STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED MARCH 31, 2008

	Budget	Actual	Variance Favorable <Unfavorable>
REVENUE			
Property Taxes	\$ 130,345	\$ 130,512	\$ 167
State Shared Revenue	55,000	57,174	2,174
Rentals	1,200	630	-570
Interest	1,500	6,712	5,212
Cable Company	2,300	2,028	-272
Sidewalks	2,000	941	-1,059
Miscellaneous	---	568	568
Park Revenue	1,500	4,037	2,537
TOTAL REVENUE	193,845	202,602	8,757
EXPENDITURES			
Council Salaries	3,900	3,650	250
Council Training	---	183	-183
Elected Officials	14,640	14,648	-8
Office Supplies	1,000	607	393
Election Supplies	---	---	---
Professional Fees	8,580	1,350	7,230
Telephone	1,000	1,045	-45
Printing and Publishing	1,500	1,756	-256
Insurance	35,000	34,716	284
Postal Supplies	400	343	57
Salaries and Wages	11,500	15,142	-3,642
Payroll Taxes	6,000	5,806	194
Benefits	4,500	4,500	---
Donations	600	1,240	-640
Library Appropriation	1,500	1,500	--
Community Rooms	7,000	2,668	4,332
Food Program Service	600	---	600
Village Hall	3,500	4,366	-866
Parks	35,000	38,523	-3,523
Dues and Memberships	600	---	600
Repairs and Maintenance	5,000	---	5,000
Other	---	1,665	-1,665
Mileage	600	759	-159
Fire Protection	21,000	22,220	-1,220
Property Taxes	200	---	200
Equipment Rental	5,000	11,734	-6,734
Street Lights	11,000	11,444	-444
Sidewalks	5,000	3,651	1,349
TOTAL EXPENDITURES	184,620	183,516	1,104
EXCESS OF REVENUE OVER EXPENDITURES	9,225	19,086	9,861
FUND BALANCE - April 1, 2007	129,211	129,211	---
FUND BALANCE - March 31, 2008	\$ 138,436	\$ 148,297	\$ 9,861

VILLAGE OF SUNFIELD

SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

MARCH 31, 2008

	Local Streets	Major Streets	Equipment	Total
ASSETS				
Cash	\$ 4,684	\$ 132,508	\$ 66,434	\$ 203,626
Due from State	---	---	---	---
TOTAL ASSETS	\$ 4,684	\$ 132,508	\$ 66,434	\$ 203,626
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ ---	\$ ---	\$ ---	\$ --
Fund Balance	4,684	132,508	66,434	203,626
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,684	\$ 132,508	\$ 66,434	\$ 203,626

VILLAGE OF SUNFIELD

Special Revenue Funds

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE FISCAL YEAR ENDED MARCH 31, 2008

	Local Streets	Major Streets	Equipment	Total
REVENUE				
Taxes	\$ ---	\$ ---	\$ ---	\$ ---
Intergovernmental Revenue	11,721	32,946	---	44,667
Interest	275	8,253	1,686	10,214
Other	---	---	41,357	41,357
TOTAL REVENUE	11,996	41,199	43,043	96,238
EXPENDITURES				
Public Works	29,169	74,378	16,341	119,888
Capital Outlay	---	---	24,024	24,024
Debt Service	---	---	5,752	5,752
TOTAL EXPENDITURES	29,169	74,378	46,117	149,664
EXCESS OF REVENUE OVER <UNDER> EXPENDITURES	-17,173	-33,179	-3,074	-53,426
TRANSFERS IN <OUT>	16,000	-16,000	---	---
FUND BALANCE - April 1, 2007	5,857	181,687	69,508	257,052
FUND BALANCE - March 31, 2008	\$ 4,684	\$ 132,508	\$ 66,434	\$ 203,626

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

FOR THE FISCAL YEAR ENDED MARCH 31, 2008

	Budget	Actual	Variance Favorable <Unfavorable>
REVENUE			
State of Michigan	\$ 12,000	\$ 11,721	\$ -279
Interest	100	275	175
Miscellaneous	---	---	---
TOTAL REVENUE	12,100	11,996	-104
EXPENDITURES			
Street Surfacing	---	---	---
Labor	5,200	3,577	1,623
Operating Supplies	2,000	21,302	-19,302
Equipment Rental	4,500	3,790	710
Tree Maintenance	500	500	---
Audit	580	---	580
Other	---	---	---
TOTAL EXPENDITURES	12,780	29,169	-16,389
EXCESS OF REVENUE OVER <UNDER> EXPENDITURES	-680	-17,173	-16,493
TRANSFERS IN <OUT>	---	16,000	16,000
FUND BALANCE - April 1, 2007	5,857	5,857	---
FUND BALANCE - March 31, 2008	\$ 5,177	\$ 4,684	\$ -493

VILLAGE OF SUNFIELD

Major Streets Fund

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED MARCH 31, 2008

	Budget	Actual	Variance Favorable <Unfavorable>
REVENUE			
State of Michigan	\$ 32,500	\$ 32,946	\$ 446
Interest	4,500	8,253	3,753
Other	---	---	---
TOTAL REVENUE	37,000	41,199	4,199
EXPENDITURES			
Labor	6,500	9,550	-3,050
Operating Supplies	15,000	49,301	-34,301
Equipment Rental	10,000	12,337	-2,337
Tree Maintenance	8,000	3,190	4,810
Surface Maintenance	---	---	---
Other	580	---	580
TOTAL EXPENDITURES	40,080	74,378	-34,298
EXCESS OF REVENUE OVER <UNDER> EXPENDITURES	-3,080	-33,179	-30,099
TRANSFERS IN <OUT>	---	-16,000	-16,000
FUND BALANCE - April 1, 2007	181,687	181,687	---
FUND BALANCE - March 31, 2008	\$ 178,607	\$ 132,508	\$ -46,099

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED MARCH 31, 2008

	Budget	Actual	Variance Favorable <Unfavorable>
REVENUE			
Interest	\$ 1,200	\$ 1,686	\$ 486
Equipment Rentals	32,500	41,357	8,857
Miscellaneous	---	---	---
TOTAL REVENUE	33,700	43,043	9,343
EXPENDITURES			
Gas and Oil	6,000	5,575	425
Repairs and Maintenance	3,000	7,569	-4,569
Other	620	---	620
Labor	2,500	3,197	-697
Capital Outlay	21,400	24,024	-2,624
Debt Service	5,752	5,752	--
TOTAL EXPENDITURES	39,272	46,117	-6,845
EXCESS OF REVENUE OVER <UNDER> EXPENDITURES	-5,572	-3,074	2,498
FUND BALANCE - April 1, 2007	69,508	69,508	---
FUND BALANCE - March 31, 2008	\$ 63,936	\$ 66,434	\$ 2,498

PROPRIETARY FUNDS

COMBINING BALANCE SHEET

MARCH 31, 2008

	Water Fund	Sewer Fund	Total
ASSETS			
CURRENT ASSETS			
Cash	\$ 121,187	\$ 146,151	\$ 267,338
Accounts Receivable	---	---	---
Due From Other Funds	---	---	---
TOTAL CURRENT ASSETS	121,187	146,151	267,338
FIXED ASSETS			
Land	2,000	45,000	47,000
Distribution/Collection System	1,010,182	1,230,651	2,240,833
Less: Accumulated Depreciation	-290,236	-812,322	-1,102,558
NET FIXED ASSETS	721,946	463,329	1,185,275
TOTAL ASSETS	\$ 843,133	\$ 609,480	\$ 1,452,613
LIABILITIES AND FUND EQUITY			
LONG TERM LIABILITIES			
Loans Payable	\$ ---	\$ ---	\$ ---
Bonds Payable	626,707	182,875	809,582
TOTAL LIABILITIES	626,707	182,875	809,582
FUND EQUITY			
Retained Earnings	216,426	426,605	643,031
TOTAL LIABILITIES AND FUND EQUITY	\$ 843,133	\$ 609,480	\$ 1,452,613

VILLAGE OF SUNFIELD

Proprietary Funds

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN RETAINED EARNINGS

FOR THE FISCAL YEAR ENDED MARCH 31, 2008

	Water Fund	Sewer Fund	Total
REVENUE			
Charges for Service	\$ 83,243	\$ 54,154	\$ 137,397
Interest	7,053	8,475	15,528
Miscellaneous	19,526	5,045	24,571
TOTAL REVENUE	109,822	67,674	177,496
EXPENDITURES			
Labor	9,185	10,324	19,509
Office Supplies	---	79	79
Postage	164	123	287
Operating Supplies	3,386	2,215	5,601
Equipment Rentals	4,361	9,134	13,495
Telephone	372	---	372
Utilities	3,447	1,000	4,447
Repairs and Maintenance	7,439	11,696	19,135
Other	489	289	778
Interest	16,668	10,265	26,933
Depreciation	35,557	45,817	81,374
Property Tax	---	1,803	1,803
Testing	1,394	---	1,394
TOTAL EXPENDITURES	82,462	92,745	175,207
EXCESS OF REVENUE OVER <UNDER> EXPENDITURES	27,360	-25,071	2,289
RETAINED EARNINGS - April 1, 2007	189,066	451,676	640,742
RETAINED EARNINGS - March 31, 2008	\$ 216,426	\$ 426,605	\$ 643,031

COMBINING STATEMENT OF CASH FLOW

FOR THE FISCAL YEAR ENDED MARCH 31, 2008

	Water Fund	Sewer Fund	Total
CASH FLOW FROM OPERATIONS			
Net Income <Loss>	\$ 27,360	\$ -25,071	\$ 2,289
Adjustments to Reconcile Net Income to Net Cash Provided			
Depreciation	35,557	45,817	81,374
Decrease in Accounts Receivable	---	---	---
Increase in Due from Other Funds	---	---	---
NET CASH PROVIDED BY OPERATIONS	<u>62,917</u>	<u>20,746</u>	<u>83,663</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed Asset Purchases	<u>-41,441</u>	<u>---</u>	<u>-41,441</u>
CASH FLOW FROM FINANCING ACTIVITIES			
New Bond Issue	---	---	---
Payment on Loans	---	---	---
Payment on Bonds	<u>-40,000</u>	<u>-16,625</u>	<u>-56,625</u>
NET CASH PROVIDED <USED> BY FINANCING ACTIVITIES	<u>-40,000</u>	<u>-16,625</u>	<u>-56,625</u>
NET INCREASE <DECREASE> IN CASH	-18,524	4,121	-14,403
CASH - Beginning of Year	<u>139,711</u>	<u>142,030</u>	<u>281,741</u>
CASH - End of Year	<u>\$ 121,187</u>	<u>\$ 146,151</u>	<u>\$ 267,338</u>

VILLAGE OF SUNFIELD

Water Fund

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED MARCH 31, 2008

	Budget	Actual	Variance Favorable <Unfavorable>
REVENUE			
Charges for Service	\$ 86,000	\$ 83,243	\$ -2,757
Interest	3,500	7,053	3,553
Miscellaneous	---	19,526	19,526
TOTAL REVENUE	89,500	109,822	20,322
EXPENDITURES			
Labor	8,800	9,185	-385
Office Supplies	200	---	200
Postage	450	164	286
Operating Supplies	4,500	3,386	1,114
Telephone	450	372	78
Utilities	3,500	3,447	53
Equipment Rentals	3,000	4,361	-1,361
Repairs and Maintenance	2,000	7,439	-5,439
Property Taxes	2,500	---	2,500
Other	1,080	489	591
Interest	56,667	16,668	39,999
Testing	2,000	1,394	606
Depreciation	---	35,557	-35,557
TOTAL EXPENDITURES	85,147	82,462	2,685
EXCESS OF REVENUE OVER EXPENDITURES	4,353	27,360	23,007
RETAINED EARNINGS - April 1, 2007	189,066	189,066	---
RETAINED EARNINGS - March 31, 2008	\$ 193,419	\$ 216,426	\$ 23,007

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED MARCH 31, 2008

	Budget	Actual	Variance Favorable <Unfavorable>
REVENUE			
Charges for Service	\$ 55,000	\$ 54,154	\$ -846
Interest	3,250	8,475	5,225
Land Rental	3,500	3,850	350
Miscellaneous	---	1,195	1,195
TOTAL REVENUE	61,750	67,674	5,924
EXPENDITURES			
Labor	10,000	10,324	-324
Office Supplies	250	79	171
Postage	350	123	227
Operating Supplies	3,000	2,215	785
Sewer Testing	1,000	---	1,000
Utilities	1,500	1,000	500
Equipment Rental	8,000	9,134	-1,134
Repairs and Maintenance	6,000	11,696	-5,696
Other	580	289	291
Interest	28,400	10,265	18,135
Depreciation	---	45,817	-45,817
Property Tax	1,500	1,803	-303
TOTAL EXPENDITURES	60,580	92,745	-32,165
EXCESS OF REVENUE OVER <UNDER> EXPENDITURES	1,170	-25,071	-26,241
RETAINED EARNINGS - April 1, 2007	451,676	451,676	---
RETAINED EARNINGS - March 31, 2008	\$ 452,846	\$ 426,605	\$ -26,241

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Village Council
Village of Sunfield

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Sunfield, as of and for the year ended March 31, 2008, which collectively comprise the Village of Sunfield's basic financial statements and have issued our report thereon dated May 8, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Sunfield's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Sunfield's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of Sunfield's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village of Sunfield's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Village of Sunfield's financial statements that is more than inconsequential will not be prevented or detected by the Village of Sunfield's internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

Financial Statements Preparation

The Village does not have procedures in place to prepare financial statements in accordance with United States generally accepted accounting principles, including procedures to record revenue and expenditure accruals, and changes in capital assets, and to present required financial statement disclosures.

Budgets

As noted in the financial statements, some of the expenditure activities of the Village exceeded the amounts appropriated.

The Michigan Public Act 621 of 1978, as amended, provides that the Village adopt formal budgets for all applicable funds, and shall not incur expenditures in excess of the amounts appropriated. Also, the Public Act requires amendments to be performed prior to incurring additional expenditures.

We recommend the Village monitor expenditures against adopted budgets and make appropriate budget amendments as needed.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village of Sunfield's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Sunfield's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

We noted certain matters that we reported to management of the Village of Sunfield in a separate letter dated May 8, 2008.

This report is intended for the information and use of the Village Council, management, and the State of Michigan. However, this report is a matter of public record and its distribution is not limited.



Karl L. Drake, P.C.
Certified Public Accountant

May 8, 2008

Karl L. Drake, P.C.
Certified Public Accountant

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May 8, 2008

To the Village Council
Village of Sunfield
Eaton County, Michigan

I have recently completed the audit of your books and records for the year ended March 31, 2008, and would like to take this opportunity to make the following comments and recommendations.

Financial Overview

All of your funds continue to be in solid financial condition. The fund balances at the end of this fiscal year were as follows:

General Fund	\$ 148,297
Major Streets Fund	132,508
Local Streets Fund	4,684
Equipment Fund	66,434
Water Fund	216,426
Sewer Fund	426,605

Fund balance increases <decreases> were as follows for the fiscal year:

General Fund	\$ 19,086
Major Streets Fund	-49,179
Local Streets Fund	-1,173
Equipment Fund	-3,074
Water Fund	27,360
Sewer Fund	-25,071

The Village has enjoyed consistent fund balances in all funds for several years. Continued cuts by the State of Michigan in state revenue sharing will continue to make it important to budget conservatively in the general fund. Funding street projects will be challenging, due to the limited local street financing received from the State of Michigan. It may be necessary to use General Fund resources to supplement Act 51 street revenue for future street projects.

Budget

During this past year, several accounts had expenditures in excess of amounts budgeted. The budget should be amended during the year to reflect changing circumstances. If expenditures are higher than expected, the budget must be amended to make the expenditures legal transactions.

Thank you for the opportunity to work with you.

Sincerely,

A handwritten signature in cursive script that reads "Karl L. Drake". The signature is written in dark ink and is positioned below the word "Sincerely,".

Karl L. Drake, CPA